



**Personnel Cabinet
Office of Public Employee Health Insurance**

EEO Conference

**Health Insurance Trends
and Public Employees**

October 1, 2003



Agenda

- **Compare the Commonwealth's Health Plan Provisions to the Market**
- **Examine 2002 Commonwealth Public Employee Health Insurance Program Experience**
- **Closing Comments**



Mercer National Survey - Large Employers Plan Provisions

	HMO			PPO In-Network		
	2000	2001	2002	2000	2001	2002
Hospital inpatient	\$ 0	\$ 0	\$ 0*	<i>Not available</i>	<i>Not available</i>	15%
Physician office	\$ 10	\$ 11	\$ 12	\$ 10	\$ 15	\$ 15
Rx – retail						
Generic	\$ 8	\$ 9	\$ 10	\$ 8	\$ 9	\$ 10
Brand	\$ 16	\$ 17	\$ 19	\$ 16	\$ 17	\$ 19
Non Formulary	\$ 29	\$ 31	\$ 35	\$ 29	\$ 31	\$ 35
Annual deductible	N/A	N/A	N/A	\$ 250	\$ 250	\$ 250
Annual out-of-pocket max	<i>Not available</i>	<i>Not available</i>	<i>Not available</i>	\$ 1,250	\$ 1,300	\$ 1,350
Employee Contributions						
Employee	\$ 39	\$ 47	\$ 49	\$ 48	\$ 56	\$ 57
Family	\$ 162	\$ 172	\$ 187	\$ 184	\$ 191	\$ 202
Self Funded	7%	13%	14%	67%	67%	68%

* in 2002, 39% (65% in South) required co-payment with median of \$240

2002 Mercer National Survey
Employers with 500 or more employees



Mercer National Survey - States Plan Provisions

	HMO			PPO In-Network		
	2000	2001	2002	2000	2001	2002
Hospital inpatient	\$ 0	\$ 0	\$200*	<i>Not available</i>	<i>Not available</i>	20%
Physician office	\$ 9	\$ 9	\$ 12	\$ 10	\$ 15	\$ 13**
Rx – retail						
Generic	\$ 8	\$ 7	\$ 8	\$ 8	\$ 7	\$ 8
Brand	\$ 14	\$ 17	\$ 18	\$ 14	\$ 17	\$ 18
Non Formulary	\$ 24	\$ 31	\$ 33	\$ 24	\$ 31	\$ 33
Annual deductible	N/A	N/A	N/A	\$200	\$250	\$300
Annual out-of-pocket max	<i>Not available</i>	<i>Not available</i>	<i>Not available</i>	\$1,125	\$1,250	\$ 1,450
Employee Contributions						
Employee	\$ 25	\$ 29	\$ 41	\$ 30	\$ 45	\$ 48
Family	\$ 125	\$ 128	\$ 181	\$ 127	\$ 169	\$ 227
Self Funded	15%	18%	12%	75%	70%	79%

* in 2002, 50% required hospital inpatient cost sharing

** in 2001, 45% required co-insurance (48% in 2002); and in 2001, 5% had no Dr. OV cost-sharing (all required in 2002)

2002 Mercer National Survey
State Government Employers



Commonwealth 2003 Compared to Mercer 2002 National Survey

	HMO			PPO In-Network		
	Large ERs 2002	States 2002	Kentucky 2003*	Large ERs 2002	States 2002	Kentucky 2003*
Hospital inpatient	\$ 0	\$200	\$100	15%	20%	20%
Physician office	\$ 12	\$ 12	\$ 10	\$ 15	\$ 13	\$ 10
Rx – retail						
Generic	\$ 10	\$ 8	\$ 10	\$ 10	\$ 8	\$ 10
Brand	\$ 19	\$ 18	\$ 15	\$ 19	\$ 18	\$ 15
Non Formulary	\$ 35	\$ 33	\$ 30	\$ 35	\$ 33	\$ 30
Annual deductible	N/A	N/A	N/A	\$250	\$300	\$250
Annual out-of-pocket max	<i>Not available</i>	<i>Not available</i>	\$1,000	\$1,350	\$ 1,450	\$1,250
Employee Contributions						
Employee	\$ 49	\$ 41	\$ 39 - \$ 52	\$ 57	\$ 48	\$ 0
Family	\$ 187	\$ 181	\$518 - \$565	\$ 202	\$ 227	\$404 - \$596
Self Funded	14%	12%	No	68%	79%	No

* Kentucky plan provisions and employee contributions reflect HMO A and PPO A.
Employee contributions reflect the lowest cost HMO A and PPO A option available in a county.



Mercer 2002 National Survey

Employer cost-management actions in 2002

What employers did:

- ✓ Consolidated HMO offerings
- ✓ Dropped POS plans
- ✓ Made changes to HMO plan design – added/raised copays
- ✓ Increased employee cost-sharing for prescription drugs

What employers didn't do:

- x Raise employee contribution percentages
- x Make significant changes to PPO plan design



Mercer 2002 National Survey

More Cost-Shifting Expected in 2003

<i>Changes planned for:</i>	National Employers		State Government Employers	
	2002*	2003**	2002*	2003**
Increase employee contribution %	40%	49%	29%	40%
Increase employee cost-sharing	34%	44%	45%	39%

* as reported by 2001 survey respondents

** as reported by 2002 survey respondents



Commonwealth Group Trends

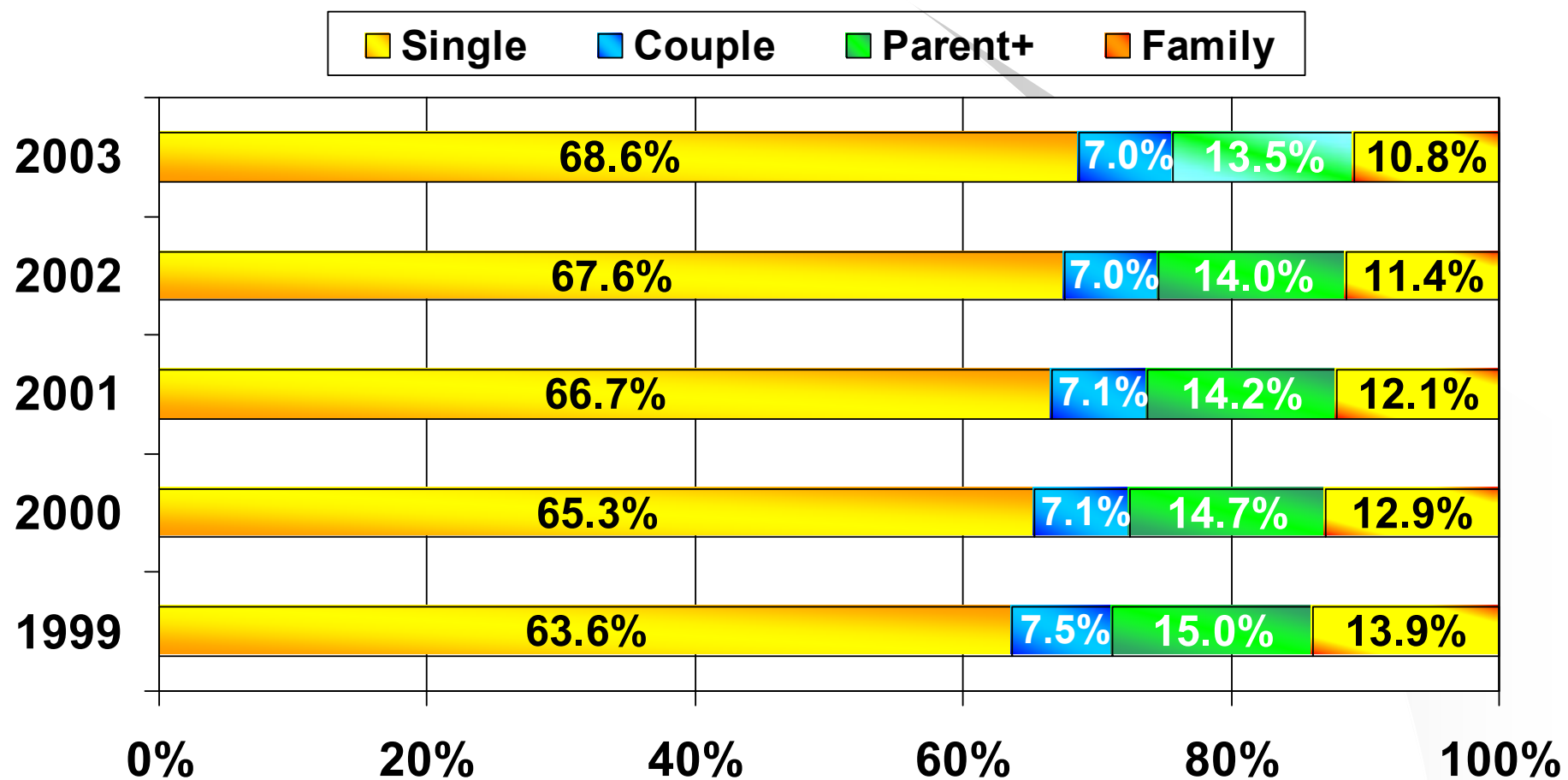


Commonwealth Group Trends

	2000	2001	% Change	2002	% Change
Medical Claims	\$355,304,194	\$399,320,673	12.4%	\$455,907,012	14.2%
Rx Claims	\$ 86,411,348	\$104,247,320	20.6%	\$123,237,364	18.2%
Total	\$441,715,543	\$503,567,993	14.0%	\$579,144,376	15.0%
Premium	\$511,369,510	\$558,002,180	9.1%	\$627,662,326	12.5%
Covered Lives	225,850	225,623	(0.1%)	225,622	0.0%
PMPM Medical	\$131.10	\$147.49	12.5%	\$168.39	14.2%
PMPM Rx	\$ 31.88	\$38.50	20.8%	\$ 45.52	18.2%
PMPM Total	\$162.98	\$185.99	14.1%	\$213.91	15.0%
PMPM Premium	\$188.68	\$206.10	9.2%	\$231.83	12.5%
Loss Ratio	86.4%	90.2%		92.3%	

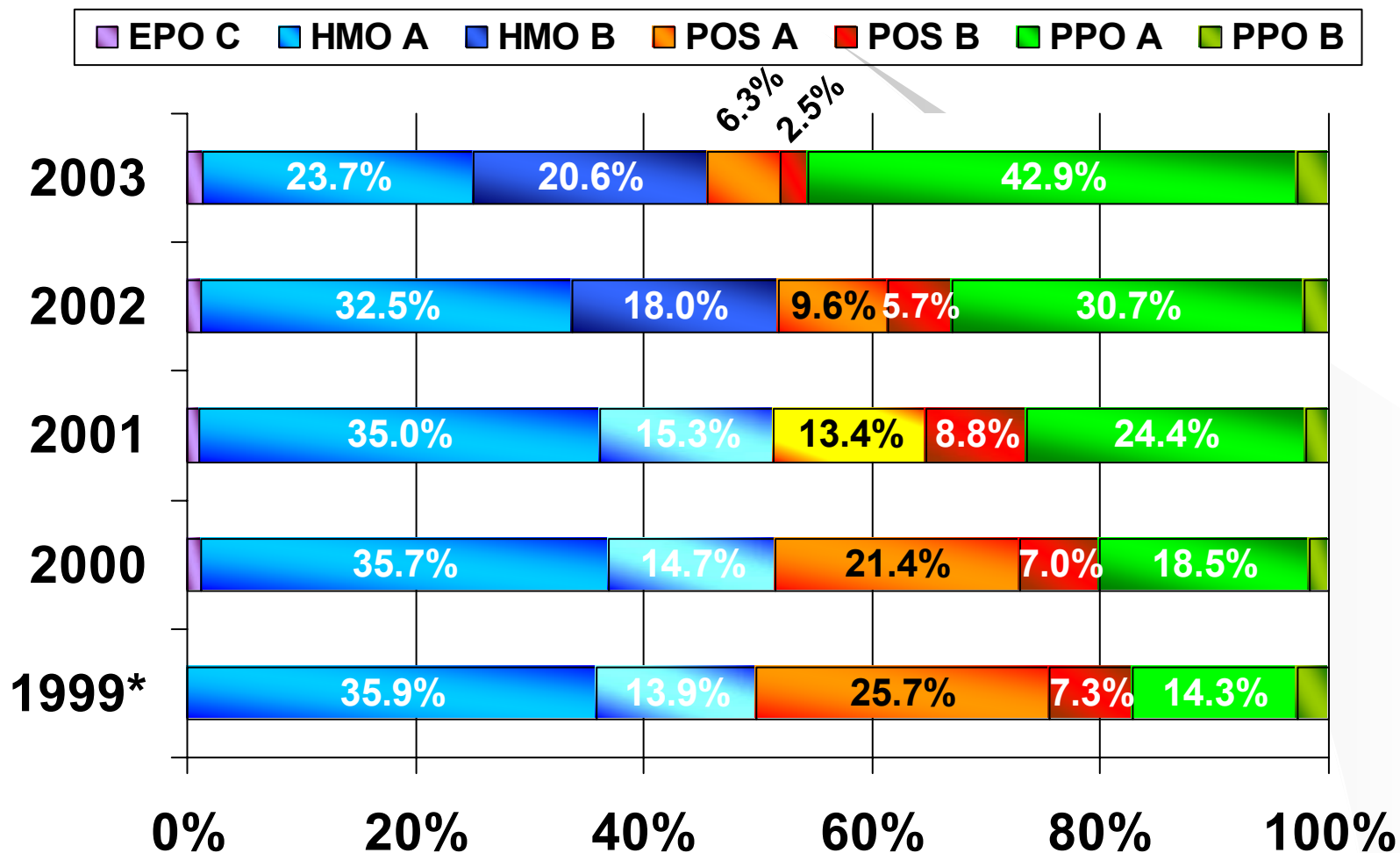


Enrollment by Tier





Enrollment by Plan/Option

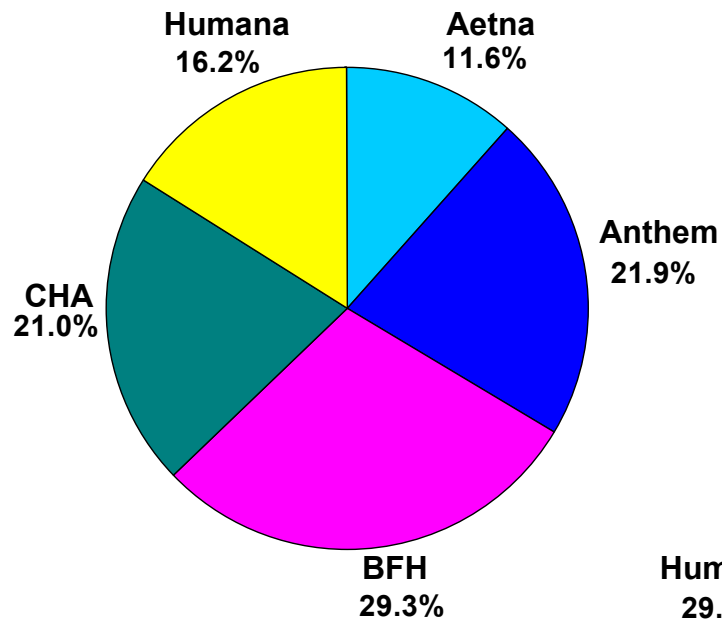


* in 1999, roughly .2% (out-of-state) were enrolled in an indemnity option and the EPO was not offered

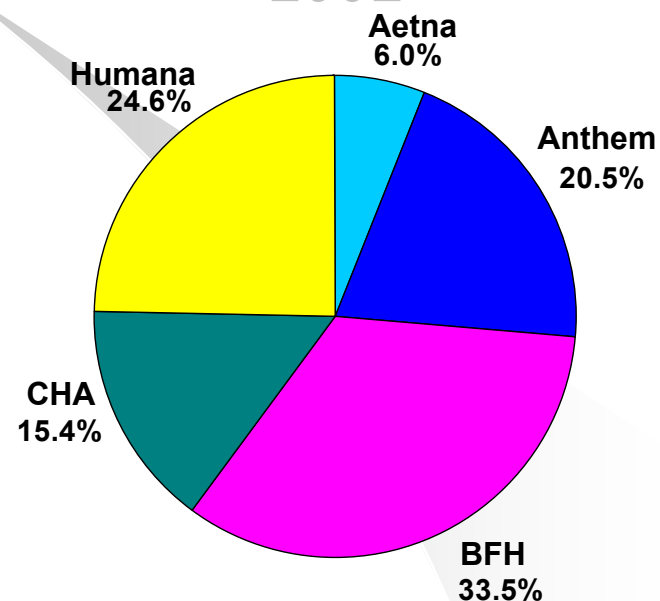


Enrollment by Carrier

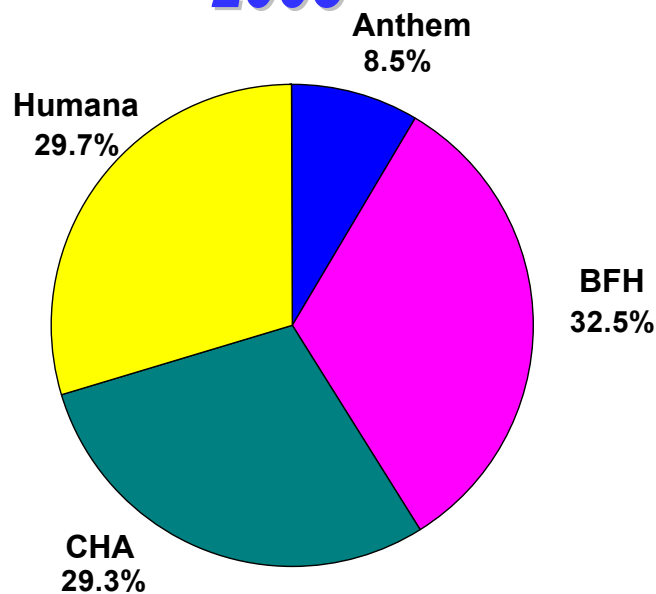
2001



2002



2003



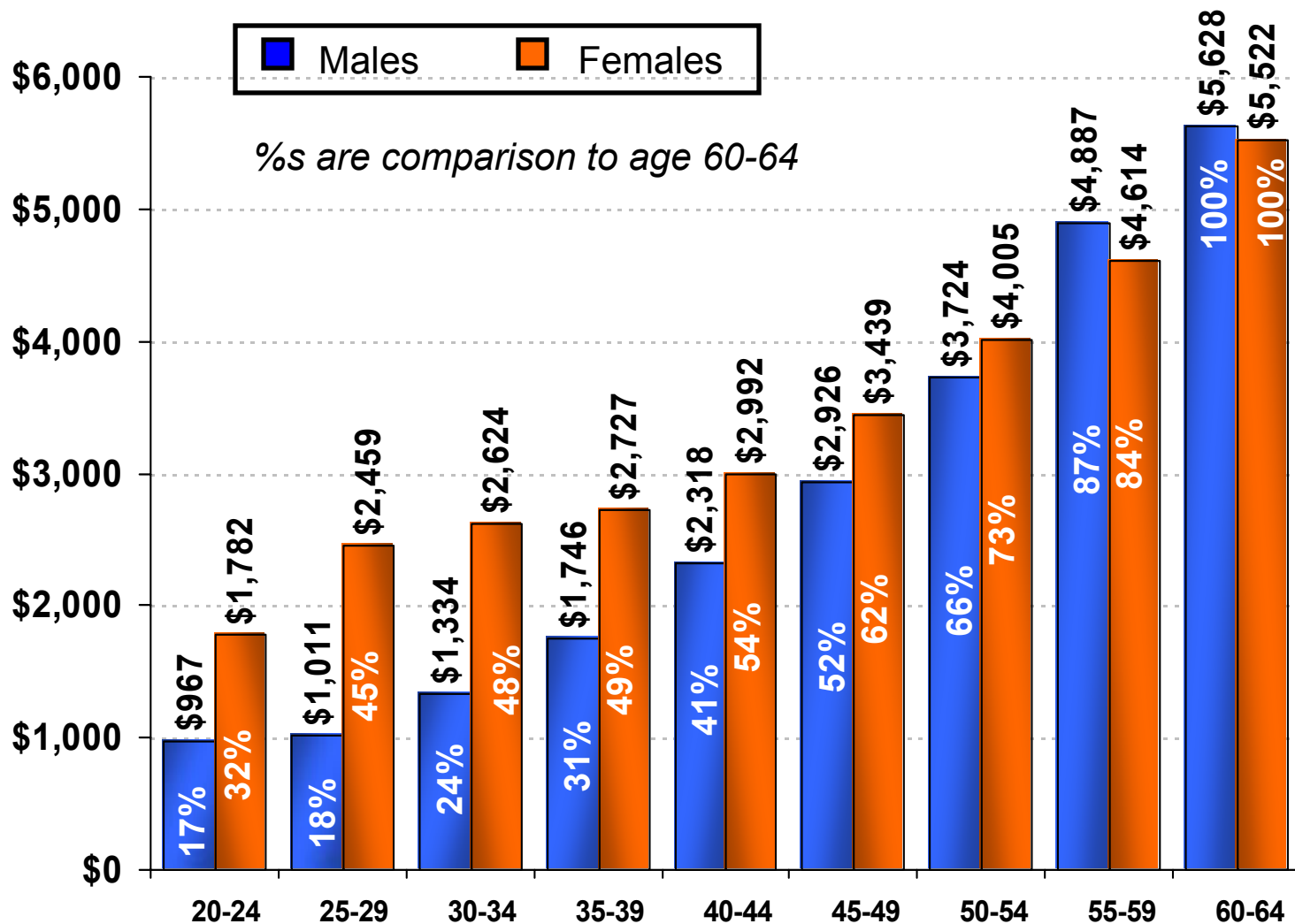


Enrollment by Group

	2001		2002		% Change	2003 – 1st Qtr		% Change
	Average Lives	% of Total	Average Lives	% of Total		Average Lives	% of Total	
State Employees	58,764	26.0%	57,750	25.6%	(1.7%)	56,112	24.9%	(2.8%)
School Boards	118,501	52.5%	116,038	51.4%	(2.1%)	114,064	50.5%	(1.7%)
Health Depts.	4,127	1.8%	4,091	1.8%	(0.9%)	4,120	1.8%	0.7%
KRS	22,313	9.9%	23,895	10.6%	7.1%	25,599	11.3%	7.1%
KTRS	16,028	7.1%	16,842	7.5%	5.1%	17,299	7.7%	2.7%
KCTCS	2,968	1.3%	3,157	1.4%	6.4%	3,386	1.5%	7.3%
Quasi/Local Govt	1,454	0.6%	2,834	1.3%	94.9%	4,389	1.9%	54.9%
COBRA	1,466	0.6%	988	0.4%	(32.6%)	773	0.3%	(21.8%)
Total	225,621		225,708		0.0%	225,742		0.0%



Healthcare Costs by Age Commonwealth Group



Source: PEHI 2002 allowed charges - 1st quarter 2003 MedStat database



Prescription Drug Utilization

	Average Scripts per Person			% Change 2001 to 2002
	2000	2001	2002	
Scripts per Person	14.89	16.05	17.03	6.13%
Single Source Brand*	6.98	8.44	8.65	2.59%
Multi Source Brand*	2.00	1.16	1.16	0.44%
Generic*	5.68	6.20	6.95	12.19%

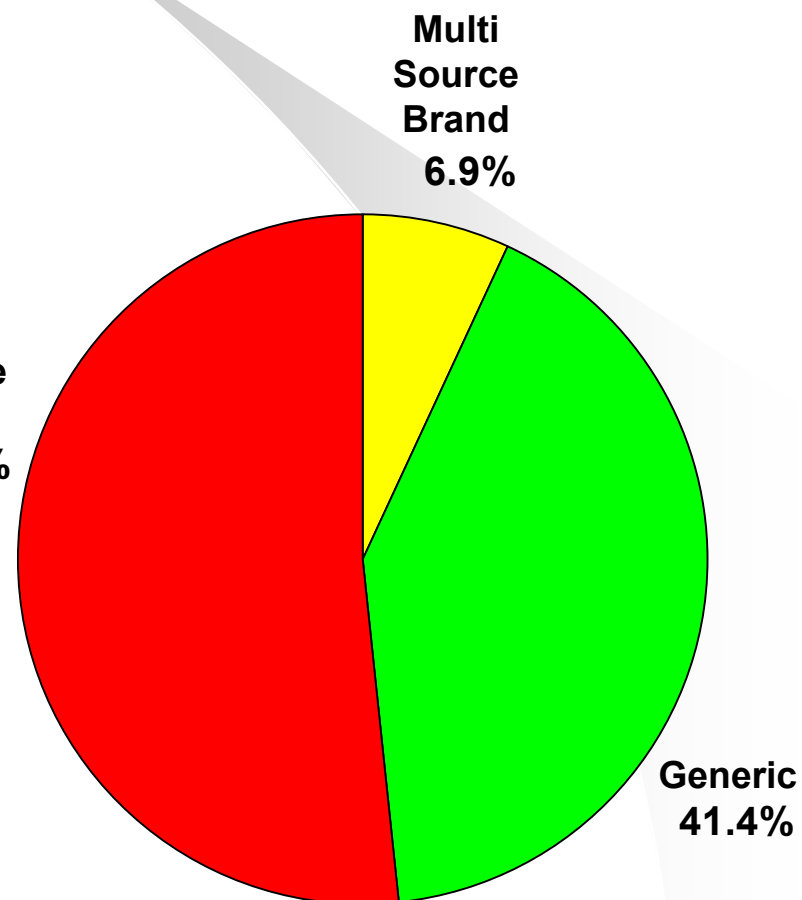
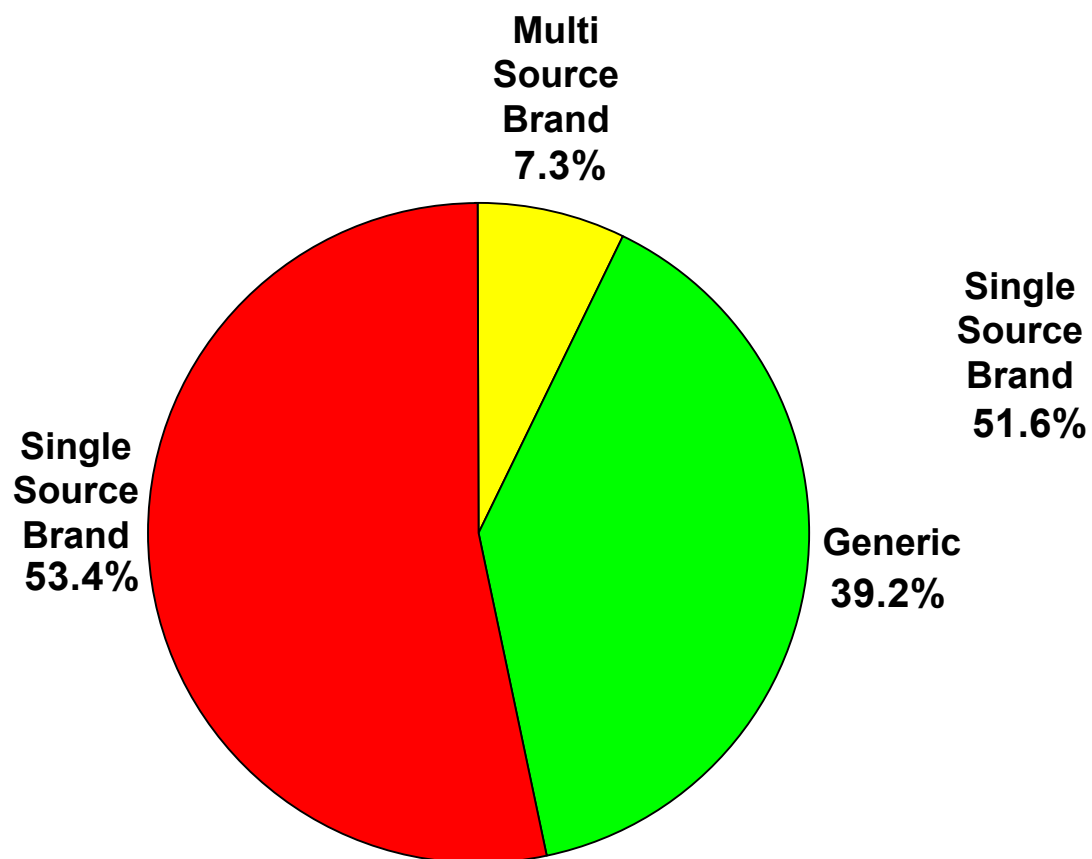
* Excludes those not classified in one of these groups



Prescription Drug Mix

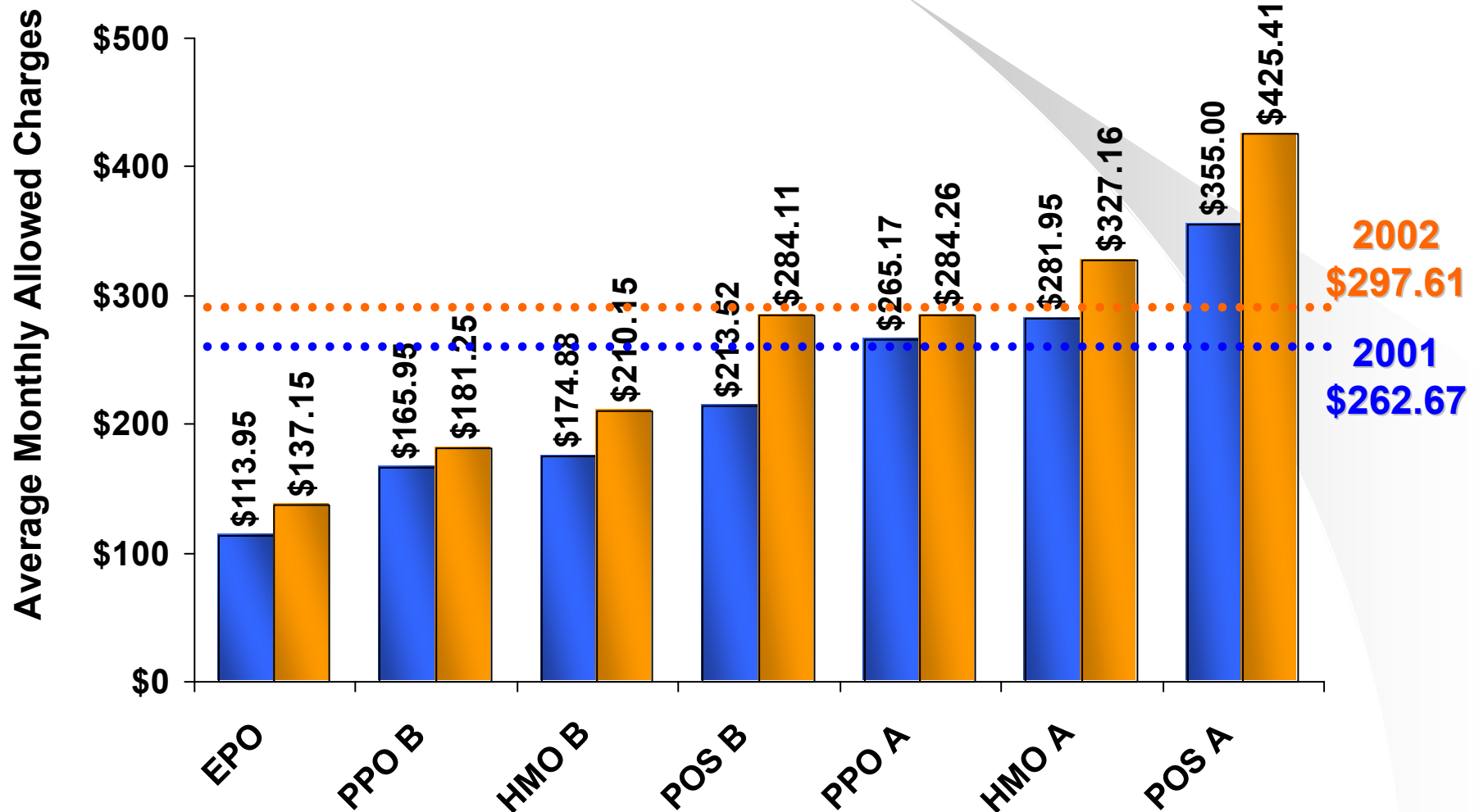
2001

2002





Selection in the Commonwealth's Program

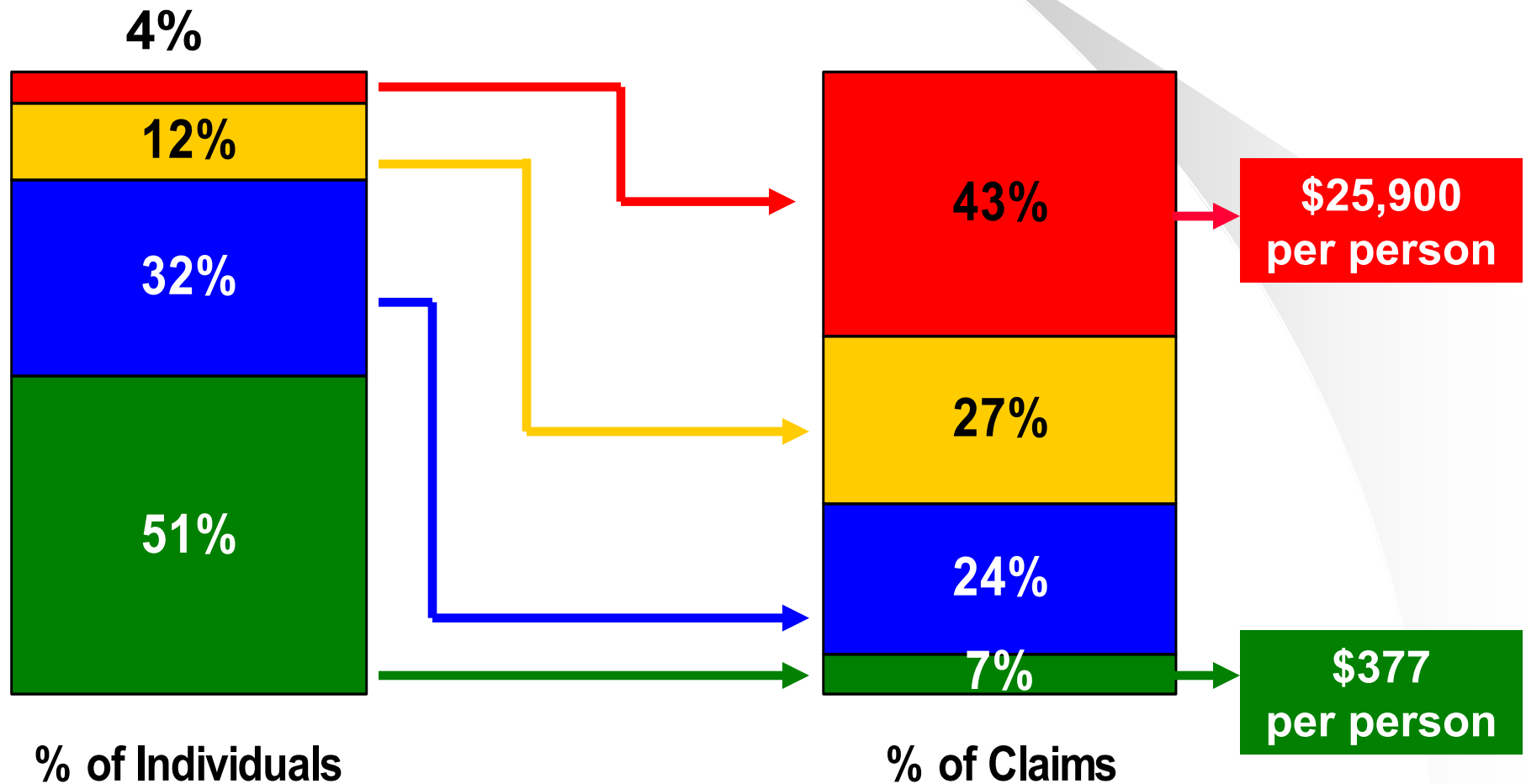


Source: PEHI average monthly allowed charges policyholders only – 1st quarter 2003 MedStat database
No adjustment for untagged claims, capitations, outstanding IBNR or unpaid withholds.



Commonwealth 2002 Claims Distribution

A small percentage drives cost





Health Care Flexible Spending Accounts

Commonwealth's Waiver Policy

- **About 33,000 active employees waiving coverage - 22.5%**
- **At \$234 monthly, the Commonwealth's 2003 FSA contribution will be roughly \$93 million (15.6% of total health insurance expenditures)**
- **2001 State Survey (36 respondents)**
 - **only 4 (10%) other states provided an alternative benefit to waivers**
 - **\$25 FSA; \$108 cash; \$128 flex credit; cash option**
- **2002 Survey of large, private sector Kentucky employers**
 - **25% offered alternative benefit to healthcare waivers**
 - **\$50 - \$75 per month**



Closing Comments